

Single Fraud Investigation Service (SFIS)**Report by Gary Fairley, Head of Finance and Integrated Service Support****1 Purpose of Report**

The purpose of this report is to update the Council on the Department for Work and Pensions (DWP) plan for the Single Fraud Investigation Service (SFIS) and the impact on Midlothian Council.

2 Background

A report was brought before the Council on 4th February 2014 which detailed the DWP's plan for the SFIS project.

On 1 May 2014, the DWP wrote to Midlothian Council to advise the implementation of SFIS would be effective from 1 October 2015. Each Local Authority has a separate implementation date ranging from October 2014 to March 2016.

3 Implications

Currently there is an establishment of three fte staff involved in counter fraud activity at an estimated cost of £90,000 per annum. Two officers are in post and there is one vacancy.

These staff undertake counter fraud activities into all welfare benefit fraud which includes:

- Housing Benefit,
- Council Tax Benefit,
- Council Tax Reduction,
- Social Security Benefits,
- Council Tax Discounts and Exemptions.

Once SFIS is implemented, the investigation of Housing Benefit, Social Security Benefits and historical Council Tax Benefit will move to the DWP. The following areas of counter fraud activity will however will remain with the Council:

- Council Tax Reduction,
- Council Tax Discounts and Exemptions,
- Investigation of Tenancy Fraud,
- The calculation and recovery of any Housing Benefit and Council Tax Benefit overpayments,
- Supporting intelligence to be provided to DWP in support of ongoing investigations.

SFIS will not be responsible for the investigation of non benefit and local taxation fraud.

The national fraud picture, as summarised in the Audit Commission publication "Protecting the Public Purse 2013" is summarised below:

2012-2013				2011-2012		
Fraud type	Value	Cases	Value per case	Value	Cases	Value per case
Housing Benefit and Council Tax benefit	£120,000,000	47,000	£2,553	£117,000,000	54,000	£2,167
Council Tax discounts	£19,600,000	54,000	£363	£21,000,000	61,000	£344
Business rates	£7,200,000	149	£48,322	£2,600,000	319	£8,150
Right to Buy	£5,900,000	102	£57,843	£1,200,000	38	£31,579
Abuse of position	£4,500,000	283	£15,901	£5,600,000	297	£18,855
Social care	£4,000,000	200	£20,000	£2,200,000	122	£18,033
Payroll, pensions, expenses	£3,000,000	493	£6,085	£3,500,000	640	£5,469
False insurance claims	£3,000,000	74	£40,541	£2,100,000	132	£15,909
Blue badges	£1,500,000	2,901	£517	£2,400,000	4,809	£499
Procurement	£1,900,000	203	£9,360	£8,100,000	187	£43,316
Other	£7,400,000	1,595	£4,639	£13,300,000	2,456	£5,415
Total	£178,000,000	107,000	£1,664	£179,000,000	124,000	£1,444

These figures exclude detected tenancy fraud which has not been measured directly. The majority of areas assessed in the Audit Commission summary are not currently assessed or measured by Midlothian Council as there is no statutory requirement.

Council Tax Reduction & Single Person Discount:

It is essential that Midlothian Council ensures Council Tax Reduction fraud is investigated and makes full use of deterrents. From 1 April 2013 funding for Council Tax Reduction is based on a pre-determined grant from Scottish Government rather than previous arrangements when expenditure was covered by DWP at the end of the financial year. Preventing and detecting this type of fraud means that monies claimed fraudulently can be re-billed which increases the Council Tax base leading to increased funds for the Council.

Midlothian Council currently has approximately 39,000 Council Tax payers of which there is approximately 13,000 have declared that only one adult lives in their home and therefore receives a 25% discount which equates to £ 3.225 million. According to the Audit Commission's report, four to six per cent of Single Person Discount claims were found to be fraudulent. Applying a conservative rate of four per cent on Midlothian's data the potential additional revenue collected could be as high as £130,000 per annum.

Other areas:

The responsibility remains with Midlothian to investigate the areas of fraud which will not transfer to SFIS and to review the areas of Corporate Fraud not already assessed for example Tenancy Fraud. This can take the form of:

- abandoned properties,
- unlawful sublets,
- fraudulent right to buy,
- housing and homeless applications,
- breaches of tenancy conditions and unlawful tenancy successions etc.

As such it is recommended that's the Council retain counter fraud capabilities and skills and therefore as a result of the implementation of SFIS that the Councils existing establishment of Fraud Officers be reduced from three to two fte.

4 Report Implications

4.1 Resource

The current counter fraud resources are partly funded by an administration subsidy grant paid to local government from DWP. The DWP has indicated that it intends to reduce the administration subsidy grant by a commensurate amount reflecting the staged implementation of SFIS.

For 2014/15 there is no reduction, in 2015/16 the DWP has confirmed it will apply a reduction at £12 million across the UK rising to £37 million in 2016/17. The 2015/16 reduction will be applied proportionally among the 127 Local Authorities with a go live date from 1 July 2014 to 31 March 2015, and will be directly proportionate to the Housing Benefit caseload at each Local Authority.

In terms of Midlothian Council this equates to no reduction of funding in 2015/16 but an estimated reduction of £47,000 per annum from 2016/17 and thereafter. After the reduction in the staffing establishment from three to two, there would remain a budget shortfall of approximately £17,000 per annum, which can be offset by the increased collection of Council Tax as highlighted above.

4.4 Risk

If staff were to transfer to SFIS, this will result in a loss of accredited counter fraud staff who are trained in intelligence gathering, covert surveillance, interviewing under caution, authorised officer requests etc. Equally, the Council does not have the resources to maintain the existing service.

4.5 Single Midlothian Plan and Business Transformation

Themes addressed in this report:

- ☐ Community safety
- ☐ Adult health, care and housing
- ☐ Getting it right for every Midlothian child
- ☐ Improving opportunities in Midlothian
- ☐ Sustainable growth
- ☐ Business transformation and Best Value
- ☒ None of the above

4.6 Impact on Performance and Outcomes

To ensure that resource is maintained locally for the areas of work which will not transfer to SFIS, a review of the Council's current arrangements in relation to other areas which require similar skills is being undertaken. This will ensure that the risk of fraud is fully evaluated to prevent and detect loss and that local accredited counter fraud resources are maintained and are sustainable.

4.7 Adopting a Preventative Approach

Having a robust fraud prevention and investigation service contributes to safeguarding the Council's financial resources, for delivery of services.

Ensuring public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

4.8 Involving Communities and Other Stakeholders

There is no opportunity for community or stakeholder involvement in this proposal. Staff and relevant Trade Unions will continue to be consulted with as appropriate.

4.9 Ensuring Equalities

The creation of the SFIS is a national policy which and there is a requirement on DWP to ensure that the policy changes and their implementation are fully equality assessed. An EQIA has been prepared in respect of the proposal to retain Counter Fraud capacity as proposed in this report and no implications have been identified.

4.10 Supporting Sustainable Development

This report does not contribute to supporting sustainable development.

4.11 IT Issues

There are no direct IT issues as a result of this report.

5 Summary

The responsibility for Welfare Benefit fraud investigation will transfer to the DWP on 1 October 2015. Midlothian Council will continue to be responsible for non benefit fraud investigations and corporate fraud.

It is recommended that the Council retain two fte counter fraud posts who will be responsible for investigations into Council Tax Reduction, Discounts and Exemptions and other Corporate Fraud areas. It is anticipated that this can be done on a cost neutral basis as set out in this report.

5 Recommendations

The Council is recommended to

- 1) note the update from this report and;
- 2) Agree to retain two fte counter fraud posts as set out in the report.

8 September 2014

Report Contact:

Name: Kathleen Leddy, Operational Support Manager

Tel No: 0131 271 3570

kathleen.leddy@midlothian.gov.uk

Background Papers:

None

Declaration Box

Instructions: *This box must be completed by the author of the report. The box will be copied and saved by the Council Secretariat who will delete it from the report prior to photocopying the agenda.*

Title of Report: *Single Fraud Investigation Service (SFIS) Update and Options*

Meeting Presented to: *Midlothian Council*

Author of Report: *Gary Fairley, Head of Finance and Integrated Service Support*

I confirm that I have undertaken the following actions before submitting this report to the Council Secretariat (Check boxes to confirm):-

- ☒ *All resource implications have been addressed. Any financial and HR implications have been approved by the Head of Finance and Integrated Service Support.*
- ☒ *All risk implications have been addressed.*
- ☒ *All other report implications have been addressed.*
- ☒ *My Director has endorsed the report for submission to the Council Secretariat.*

For Cabinet reports, please advise the Council Secretariat if the report has an education interest. This will allow the report to be located on the Cabinet agenda among the items in which the Religious Representatives are entitled to participate.

Likewise, please advise the Council Secretariat if any report for Midlothian Council has an education interest. The Religious Representatives are currently entitled to attend meetings of the Council in a non-voting observer capacity, but with the right to speak (but not vote) on any education matter under consideration, subject always to observing the authority of the Chair.